

TANNEHILL WATER SYSTEM, INC.

**ANNUAL FINANCIAL REPORT
DECEMBER 31, 2009**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9/15/10

Tannehill Water System, Inc.

Financial Report
December 31, 2009

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Johnson, Thomas & Cunningham

Certified Public Accountants

Eddie G. Johnson, CPA – A Professional Corporation (1927-1996)

Mark D. Thomas, CPA – A Professional Corporation
Roger M. Cunningham, CPA – A Professional Corporation
Jessica H. Broadway, CPA – A Professional Corporation
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ACCOUNTANT'S REVIEW REPORT

Mr. Jimmy Atherton, President
and Members of the Board of Directors
Tannehill Water System, Inc.
P O Box 1029
Winnfield, Louisiana 71483

We have reviewed the accompanying statement of net assets of the Tannehill Water System, Inc., (a nonprofit corporation) as of December 31, 2009, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Tannehill Water System, Inc.

A review consists principally of inquiries of Tannehill Water System, Inc.'s personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The Tannehill Water System, Inc. has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements. In accordance with the *Louisiana Governmental Audit Guide* and the provisions of state law, we have issued a report dated August 11, 2010, on the results of our agreed-upon procedures on page 10 through 11. Pages 13 and 14 present the Louisiana Attestation Questionnaire.

Johnson, Thomas & Cunningham
Johnson, Thomas & Cunningham, CPA's

Natchitoches, Louisiana
August 11, 2010

Tannehill Water System, Inc.
Statement of Net Assets
Proprietary Fund
December 31, 2009

ASSETS:

Current Assets-

Cash & Cash Equivalents	\$ 49,250
Receivables	<u>44,087</u>

Total Current Assets	\$ <u>93,337</u>
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Capital Assets-

Equipment	\$ 118,929
Building	868,525
Land	1,600
Accumulated Depreciation	<u>(629,449)</u>

Total Capital Assets	\$ <u>359,605</u>
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Total Assets	\$ <u>452,942</u>
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LIABILITIES & FUND EQUITY:

Current Liabilities-

Accounts Payable	\$ 37,611
Payroll Related Payables	190
Current Portion of LTD	<u>17,922</u>

Total Current Liabilities	\$ 55,723
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Non-Current Liabilities-

Long-Term Debt	<u>162,127</u>
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Total Liabilities	\$ <u>217,850</u>
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Net Assets-

Invested in Capital Assets, Net of Related Debt	\$ 179,556
Unrestricted	<u>55,536</u>

Total Net Assets	\$ <u>235,092</u>
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Total Liabilities & Net Assets	\$ <u>452,942</u>
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See accompanying notes and accountant's report.

Tannehill Water System, Inc.
Statement of Revenues, Expenses and Changes in Net Assets-
Proprietary Fund
For the Year Ended December 31, 2009

OPERATING REVENUES:	
Water Sales	<u>\$ 218,713</u>
Total Operating Revenues	<u>\$ 218,713</u>
OPERATING EXPENSES:	
Salaries	\$ 36,192
Insurance	11,218
Maintenance & Repairs	57,047
Office Administration	13,263
Taxes	7,372
Utilities	26,752
Other Operating Expenses	5,987
Interest	9,441
Depreciation	<u>34,360</u>
Total Operating Expenses	<u>\$ 201,632</u>
Operating Income	<u>\$ 17,081</u>
NON-OPERATING REVENUES (EXPENSES):	
State Grant	\$ 211,957
Interest Income	243
Utility Relocation Expenses	<u>(211,957)</u>
Total Non-operating Revenues (expenses)	<u>\$ 243</u>
Change in Net Assets	\$ 17,324
Net Assets-Beginning of Year	<u>217,768</u>
Net Assets-End of Year	<u>\$ 235,092</u>

See accompanying notes and accountant's report.

Tannehill Water System, Inc.
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from Customers	\$ 221,464
Cash Payments to Suppliers for Goods and Services	(305,236)
Cash Payments to Employees	(36,192)
Non-operating Revenue	<u>177,847</u>
Net Cash Provided (used) by Operating Activities	<u>\$ 57,883</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Principal Paid	\$ (17,091)
Interest Paid	(9,441)
Purchase of Capital Assets	<u>(25,083)</u>
Net Cash Provided (used) by Capital and Related Financing Activities	<u>\$ (51,615)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Investment Income	<u>\$ 243</u>
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Net Increase in Cash and Cash Equivalents	\$ 6,511
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Cash and Cash Equivalents-Beginning of Year	<u>42,739</u>
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Cash and Cash Equivalents-End of Year	<u>\$ 49,250</u>
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RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating Income	\$ 17,081
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Adjustments to Reconcile Operating Income to Net Cash

Provided (used) by Operating Activities-	
Depreciation	34,360
Non-operating Expenses (URAF)	(211,957)
Non-operating Revenue	211,957

Changes in Assets and Liabilities-

(Increase) Decrease in Accounts Receivable	(31,359)
Increase (Decrease) in Accounts Payable	<u>37,801</u>

Net Cash Provided (used) by Operating Activities	<u>\$ 57,883</u>
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See accompanying notes and accountant's report.

NOTES TO FINANCIAL STATEMENTS

Tannehill Water System, Inc.
Notes to Financial Statements
December 31, 2009

INTRODUCTION

The Tannehill Water System, Inc. was formed as a non-profit corporation on a non-stock basis under the provisions of Title 12, Sections 201-209, of the Louisiana Revised Statutes in 1977. The Corporation was formed for the mutual benefit of its members to construct, maintain, and operate a private water system providing a supply of water to its membership. Persons who are owners or part owners, or have a substantial possessory interest in property desired to be served by the corporation's water system shall be admitted as members. The voting power and property rights and interest of each member whose fees are fully paid and who is in good standing shall be equal and each member shall be entitled to one vote only regardless of the number of membership certificates held.

1. Summary of Significant Accounting Policies:

The accounting and reporting policies of the Tannehill Water System, Inc. conform to generally accepted accounting principles as applicable to non-profit organizations, and are applied on a consistent basis between periods.

A. Financial Statement Presentation-

The Water System uses one fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. *A fund is a separate accounting entity with a self-balancing set of accounts.*

The Tannehill Water System, Inc., uses an enterprise fund type of the proprietary fund category to account for operations that are financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

As a proprietary activity, the Water System applies all applicable pronouncements by the Governmental Accounting Standards Board (GASB), as well as those pronouncements by the Financial Accounting Standards Board (FASB), Accounting Principles Board, and the Committee on Accounting Procedure issued prior to November 30, 1989. The Water System also applied all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with, or contradict, GASB pronouncements, that are developed for business enterprises.

Tannehill Water System, Inc.
Notes to Financial Statements
December 31, 2009

B. Basis of Accounting-

The accounting and financial treatment applied to a fund is determined by its measurement focus. Proprietary funds are accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The proprietary fund uses the accrual basis of accounting; revenues are recognized when earned, and expenses are recognized at the time the related liabilities are incurred.

C. Budgets and Budgetary Accounting-

The Tannehill Water System, Inc. is not required to adopt a budget. Accordingly, no budget comparisons have been presented.

D. Capital Assets-

The capital assets of the Tannehill Water System, Inc. enterprise fund are included on the Statement of Net Assets, net of accumulated depreciation. Depreciation of all exhaustible capital assets used by the enterprise fund operation is charged as an expense against operations. Depreciation has been computed using the straight-line method over the estimated useful lives of the assets, which is 5 to 10 years for furniture and equipment and 50 years for buildings.

E. Cash Equivalents-

For purposes of cash flows, cash equivalents include all highly liquid deposits and debt instruments acquired with maturities of three months or less.

F. Estimates-

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents:

At December 31, 2009, the Tannehill Water System had cash and cash equivalents (collected bank balances) totaling \$52,565. These deposits were secured one hundred percent with coverage from federal depository insurance.

Tannehill Water System, Inc.
Notes to Financial Statements
December 31, 2009

3. Income Taxes:

The Tannehill Water System is exempt from federal income taxes. Therefore, no provision for federal income taxes has been made in the accompanying financial statements.

4. Receivables:

The Tannehill Water System has receivables reported on the statement of net assets at December 31, 2009 of \$44,087. Of this amount, \$9,978 represents receivables due from water customers and \$34,109 represents a receivable due from the state grant for utility relocation. The System considers all receivables to be collectible, therefore no allowance for doubtful accounts is calculated.

5. Capital Assets:

Capital assets and depreciation activity as of and for the year ended December 31, 2009, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets-				
Land	\$ 1,600	\$ 0	\$0	\$ 1,600
Building	868,525	0	0	868,525
Equipment	<u>93,847</u>	<u>25,082</u>	<u>0</u>	<u>118,929</u>
Total Assets	<u>\$963,972</u>	<u>\$25,082</u>	<u>\$0</u>	<u>\$989,054</u>
Accumulated Depreciation-				
Equipment	\$ 56,603	\$16,990	\$0	\$ 73,593
Building	<u>538,486</u>	<u>17,370</u>	<u>0</u>	<u>555,856</u>
Total Accumulated Depr.	<u>\$595,089</u>	<u>\$34,360</u>	<u>\$0</u>	<u>\$629,449</u>
Total Net Assets	<u>\$368,883</u>	<u>\$ (9,278)</u>	<u>\$0</u>	<u>\$359,605</u>

Depreciation expense of \$34,360 was included in operating expenses.

6. Lease Commitments:

There were no leases in effect at December 31, 2009.

7. Compensation of Board Directors:

The members of the Board of Directors of the Water System receive the free usage of water for their services.

Tannehill Water System, Inc.
Notes to Financial Statements
December 31, 2009

8. Litigation and Claims:

The Water System is not aware of any litigation or claims at December 31, 2009.

9. Grants:

The Tannehill Water System received \$211,957 in grants from the State of Louisiana in the current fiscal year for utility relocations.

10. Accounts Payable:

The Tannehill Water System has accounts payables reported on the statement of net assets at December 31, 2009 of \$37,611. This balance represents amounts owed to vendors.

11. Notes Payable:

In September 1978, the Tannehill Water System, Inc. finalized a loan for the construction and origination of the water system. The terms of the loan are monthly principal and interest payments for 480 months at 5% interest. The annual debt requirements to maturity for this loan are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 17,922	\$ 8,610	\$ 26,532
2011	18,841	7,691	26,532
2012	19,787	6,745	26,532
2013	20,821	5,711	26,532
2014	21,889	4,643	26,532
Thereafter	<u>80,789</u>	<u>7,047</u>	<u>87,836</u>
Total	<u>\$180,049</u>	<u>\$40,447</u>	<u>\$220,496</u>

12. Subsequent Events:

Management has evaluated subsequent events through August 11, 2010, which is the date of the financial statements.

Johnson, Thomas & Cunningham

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. Jimmy Atherton, President
and Members of the Board of Directors
Tannehill Water System, Inc.
P O Box 1029
Winnfield, LA 71483

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of the Tannehill Water System, Inc. and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the Tannehill Water System's compliance with certain laws and regulations during the year ended December, 31, 2009, included in the Louisiana Attestation Questionnaire. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Federal, State, and Local Awards

1. Determine the amount of federal, state and local award expenditures for the fiscal year, by grant and grant year.

<u>Federal, State or Local Grant Name</u>	<u>Grant Year</u>	<u>Amount</u>
Louisiana URAF 023-05-0028	2009	\$211,957

2. For each federal, state, and local award:

- Randomly select 6 disbursements from each award administered during the period under examination, provided that no more than 30 disbursements in total will be selected.

Six disbursements were randomly selected from payments made with grant funding.

- Trace the six disbursements to supporting documentation as to proper amount and payee.

We examined supporting documentation for each of the six selected disbursements and found that payment was for the proper amount and made to the correct payee.

- Determine if the six disbursements were properly coded to the correct fund and general ledger account.

All payments were properly coded to the correct fund and general ledger account.

- Determine whether the six disbursements received approval from proper authorities.

Inspection of documentation supporting each of the six selected disbursements indicated approvals from the secretary and the president of the board.

- For state and local awards, determine whether the disbursements comply with the grant agreement, relating to:

- Activities allowed or unallowed

We reviewed the selected disbursements for types of services allowed or not allowed and all selected disbursements met the goals of the grant.

- Eligibility

We reviewed the selected disbursements for eligibility requirements and all selected disbursements met the eligibility requirements of the grant.

- Reporting

We reviewed the selected disbursements for reporting requirements. All selected disbursements were traced to requests for reimbursements and reimbursements were traced to bank statements.

3. For the programs selected for testing in item (2) that have been closed out during the period under review, compare the close-out report, when required, with the entity's financial records to determine whether the amounts agree.

The six disbursements selected were for a utility relocation completed in March of 2009. The disbursements were in accord with the requirements of the grant.

Open Meetings

4. Examine evidence indicating that agendas for meetings recorded in the minute book were posted as an open meeting as required by R.S. 42:1 through 42:13 (the open meetings law).

Tannehill Water System, Inc. advertises a notice of their annual meeting.

Budget

5. For all grants exceeding five thousand dollars, determine that each applicable federal, state, or local grantor agency/agencies was provided with a comprehensive budget of those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance.

Tannehill Water System, Inc. provided a budget to the applicable state grantor agency for the grant received. This budget specified the anticipated use of the grant funds, estimates of the duration of the projects, and plans showing specific goals and objectives and measures of performance.

Prior Comments and Recommendations

6. Review any prior year suggestions, recommendations, and/or comments to determine the extent to which such matters have been resolved.

This is the first year of engagement for a review with attestation, therefore the Tannehill Water System had no prior year suggestions, recommendations, and/or comments.

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the Tannehill Water System, Inc. and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Johnson, Thomas & Cunningham

Johnson, Thomas & Cunningham, CPA's

Natchitoches, Louisiana
August 11, 2010

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Quasi-public Agencies)

August 11, 2010

Johnson, Thomas & Cunningham, CPA's
321 Bienville Street
Natchitoches, LA 71457

In connection with your review of our financial statements as of December 31, 2009 and for the period then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulation and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of August 11, 2010.

Federal, State, and Local Awards

We have detailed for you the amount of federal, state and local award expenditures for the fiscal year, by grant and grant year.

Yes ☒ No ☐

All transactions relating to federal, state, and local grants have been properly recorded within our accounting records and reported to the appropriate state, federal, and grantor officials.

Yes ☒ No ☐

The reports filed with federal, state, and local agencies are properly supported by books of original entry and supporting documentation.

Yes ☒ No ☐

We have complied with all applicable specific requirements of all federal, state, and local programs we administer, to include matters contained in the OMB Compliance Supplement, matters contained in the grant awards, eligibility requirements, activities allowed and unallowed, and reporting and budget requirements.

Yes ☒ No ☐

Open Meetings

Our meetings, as they relate to public funds, have been posted as an open meeting as required by R.S. 42:1 through 42:13 (the open meetings law).

Yes ☒ No ☐

Budget

For each federal, state, and local grant we have filed with the appropriate grantor agency a comprehensive budget for those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance

Yes [☒] No [☐]

Prior Year Comments

We have resolved all prior-year recommendations and/or comments.

Yes [☒] No [☐]

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the federal, state, and local grants, to include the applicable laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We will also disclose to you, the Legislative Auditor, and the applicable state grantor agency/agencies any known noncompliance that may occur up to the date of your report.

August 17, 2010 Secretary Linda Bamberg
Date

Johnson, Thomas & Cunningham

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August 11, 2010

Mr. Jimmy Atherton, President
and Members of the Board of Directors
Tannehill Water System, Inc.
P O Box 1029
Winnfield, Louisiana 71483

RE: Review Report – December 31, 2009

We have reviewed the financial statements of the Tannehill Water System, Inc. for the year ended December 31, 2009, and have the following information to report to you.

Louisiana Statutes require that the financial statements to be filed six months after the year end. The Tannehill Water System review report was due on June 30, 2010. We recommend that the water system engage a CPA before their year end.

Sincerely,

Johnson, Thomas & Cunningham

Johnson, Thomas & Cunningham



Tannehill Water System, Inc.

P.O. BOX 1029, 359 KVCL Road, WINNFIELD, LA 71483
Phone (318) 628-2140
FAX (318) 628-7440

August 11, 2010

Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70802

RE: Tannehill water System, Inc.
Financial report - December 31, 2009

The following is our response to the management letter issued to us by the firm, Johnson, Thomas & Cunningham, CPA's for the year ended December 31, 2009.

Management's Corrective Action Plan

In the future, we will attempt to engage a CPA firm by the end of our fiscal year to allow an audit to be submitted within six months after year end.

Thank you,

Linda Bamberg
Secretary

